

Recent Updates

The process of developing a proposed budget for the City of San Diego is a 12 month process, from the initial development of revenue and expenditure requirements to concluding with the passage of the Appropriation Ordinance. As such the budget process is continuously fluid and relies on the most recent information available. This new section has been included to provide updates to the proposed budget based on the most recent information available prior to publication. The options and recommendations included in this section are not included in the total \$2.37 billion budget or the \$857.7 million General Fund budget. These will be further refined, discussed, and finalized prior to the City Manager's June Revision memo. Impacts will be included in the Annual Fiscal Year 2006 Budget.

Over the last six months the Fiscal Year 2006 Proposed Budget revenue assumptions have included \$5.2 million in State reimbursements for Booking Fees as discussed in the Executive Summary. Subsequent to balancing the General Fund and printing the department budgets, the latest information has indicated that the City may not receive the Booking Fee reimbursement from the State. The Governmental Relations Department will continue to work with the State legislative delegation to secure the Booking Fee reimbursement. Also, recent developments have brought about the need to fund a Mayoral election(s) resulting in an anticipated budget shortfall of \$2 - \$3 million.

These combined changes will impact this already austere General Fund budget by \$7 - \$8 million and create the need for additional reductions. It is important to note these further reductions will be implemented in a budget that already contains minimal funding for deferred maintenance, new facilities or public safety needs including overtime. The recommendations indicated below should be considered as mitigation for these budget shortfalls in addition to other developments that could occur prior to the approval of the Annual Fiscal Year 2006 Budget. The options are severe, but they build on themes in this budget including (1) focusing on core services; (2) downsizing the organization to control the cost of operations; and (3) not funding new facilities when on-going operating revenue is not available.

These recommendations should be implemented regardless of whether or not the booking fee revenue is realized. Should the State booking fee revenue be realized, I strongly recommend that it only be used to fund essential one-time expenses such as deferred maintenance and/or unfunded public safety needs. It should not be used to continue the practice of maintaining services we can no longer afford. It will only be through efforts such as these that we will begin the recovery of the City's vital infrastructure assets including, streets, sidewalks and facilities. The budget adjustments include:

1. Reduce 50.00 additional General Fund positions

This reduction will be in addition to the 228.90 position reductions that are included in the Fiscal Year 2006 Proposed General Fund Budget and will generate approximately \$3.0 to \$4.0 million in available revenue. Service level impacts will be associated with these additional reductions as they will effect several General Fund departments throughout the various program areas. This action will provide further reduction in the cost of operations which must continue to be pursued in light of limited revenue. Preliminary estimates of these position reductions include the Park & Recreation, Planning, and Neighborhood Code Compliance Departments as well as other departments and include classified and unclassified positions. These additional reductions are not being explored in the Police, Fire-Rescue and Library Departments at this time, however absent other alternatives, all departments including public safety will be analyzed for further reductions.

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2. Transfer of the City Redevelopment Agency

This reorganization of the City's Community and Economic Development Department and a transfer of the City's Redevelopment Agency to an agency outside of the City will reduce the General Fund by 25.10 positions and save over \$330,000 in the first year. The City Council would serve as the Board of Directors. The Agency would possess the same powers – discretionary entitlement and permitting authority – as Centre City Development Corporation (CCDC). It would be responsible for 10 project areas comprising 6,500 acres, which generated approximately \$24 million in tax increment in Fiscal Year 2005. Additionally, the functions of the economic development portion of this department would be transferred to the Economic Development Corporation (EDC). This would allow the City to eliminate redundant efforts.

The combined impact of the two recommendations above would result in the reduction of an additional (75.10) positions for a total City reduction of (355.33) positions. Although this is slightly more than a 3% reduction to total City forces, it represents a significant adjustment in gaining control of on-going cost of operations. The chart below details the total position changes that would be effected based on these additional recommendations.

Total Proposed City Position Changes

	Annual FY 2005	Proposed FY 2006	Change
Total General Fund	6,955.31	6,747.58	(207.73)
Total Special Revenue Funds	619.35	593.35	(26.00)
Total Sewer Funds	1,045.36	1,040.74	(4.62)
Total Water Funds	857.87	865.83	7.96
Total Other Enterprise Funds	999.40	961.25	(38.15)
Total Internal Service Funds	544.10	532.41	(11.69)
Total Other Funds	74.75	74.75	-
Total Budgeted Positions	11,096.14	10,815.91	(280.23)
<i>Additional Position Reductions</i>	---	(50.00)	(50.00)
<i>Transfer of City</i>			
<i>Redevelopment Agency</i>	---	(25.10)	(25.10)
Total Position Adjustments	11,096.14	10,740.81	(355.33)

3. Reallocate Community Development Block Grant (CDBG) funding

On May 3, 2005, the Mayor and City Council will conduct allocation hearings for the CDBG allocations for Fiscal Year 2006. I recommend that Fiscal Year 2006 should be the last year that the discretionary CDBG funding is allocated among the various Council districts.

Although this allocation of CDBG funds for community projects has complied with the federal legislation, it does not necessarily meet the spirit of the law, which is to raise the quality of life in communities of greatest need. This bold action would allow the City leadership to pool the discretionary CDBG funding (\$6.08 million in Fiscal Year 2006), as well as \$350,000

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recommended for Engineering Project Management and allocate these funds toward addressing critical deferred needs that would be used for (1) street improvements, including street resurfacing; (2) safety street lighting; (3) sidewalk repair; (4) and other improvements in CDBG eligible communities, or Americans with Disabilities Act (ADA) retrofits in the public rights-of-way throughout the City. By pooling the funds together, the City can make an even greater impact by concentrating focus in areas of greatest needs. This approach will provide a more strategic action in the elimination of deferred maintenance of the City's streets and infrastructure.

The use of funds towards the following allocations would be continued unless directed to do differently: CDBG Administration, Neighborhood Code Compliance, ADA Transition Plan, Section 108 Loan repayments, Social Services (15%), Housing Commission, ADA Retrofit and the one time allocation to the Neil Good Day conditional use permit.

4. Formation of Revenue Review Sub-Committee

At the conclusion of the Fiscal Year 2006 Proposed Budget process, I recommend the immediate formation of a three-member City Council committee to explore new revenue opportunities for inclusion in the Fiscal Year 2007 Proposed Budget. This effort would allow sufficient time to analyze and solicit citizen input on the best options for voter approved revenue increases to be included on the proposed November, 2005 ballot. Approved new revenue would then be included in the Fiscal Year 2007 Proposed Budget to address the critical operating needs that have remained unfunded.

5. Evaluate City Services for Competitive Bidding

As budget decisions are being focused on core services to the public, I recommend the review of competitive outsourcing of activities that are no longer efficient for the City to conduct, such as print shop activities or other internal services provided to line departments. This approach, with direct involvement from the effected labor groups, would ensure that tax revenue is being used in the most efficient manner. Although these competitive efforts have occurred in the past, in light of limited available revenue to continue funding these types of services, these competitive bidding assessments should again take place.

6. Formation of Special Promotion Program Funding Review Committee

The Fiscal Year 2006 Proposed Budget contains Transient Occupancy Tax (TOT) funding of over \$12.8 million dollars for contributions to Economic Development programs such as the San Diego International Sports Council, San Diego Bowl Game Association, and San Diego North ConVis. Additional TOT funding is also allocated to arts, culture and community festivals in the amount of over \$6.0 million for the Fiscal Year 2006 Proposed Budget.

These organizations arguably provide valuable economic and cultural benefits to the City and have assisted in establishing the region as a tourist destination. As such, the organizations deserve to have funding decisions be evaluated based on fair criteria. However, given the continuing rise in the cost of City operations and the lack of available revenue, a thorough review should occur prior to the development of the Fiscal Year 2007 Proposed Budget. I recommend a representative committee, that includes Councilmembers, be formed to determine if current funding criteria should be adjusted due to the continued deferred maintenance of public safety facilities and equipment, and the decline of services to the public in the Parks and Recreation and Library Departments.

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As stated, these are bold recommendations that under different situations may not be explored. During the budget hearing process, additional changes may be presented to further streamline the organization and redirect money toward deferred maintenance and asset preservation. The City will not be able to correct past deficiencies in one year, however big problems need big solutions.